



**PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA**

Within the meeting of November 28, 2013, the Council of Administration of the NBM adopted the following decision by unanimous vote:

- 1. To maintain the base rate applied on main short-term monetary policy operations at the current level of 3.5 percent annually;**
- 2. To maintain the interest rates:**
 - on overnight loans at the current level of 6.5 percent annually;**
 - on overnight deposits at the current level of 0.5 percent annually;**
- 3. To maintain the required reserves ratio from financial means attracted in MDL and foreign currency at the current level of 14.0 percent of the base.**

The annual inflation rate for October 2013 reached the level of 4.7 percent or by 0.8 percentage points higher compared to the previous month, due to the higher contribution of food prices. During the last 21 months, the annual inflation rate is maintained within the range of variation of ± 1.5 percentage points from 5.0 percent target. The inflation rate recorded in October 2013 confirms the main assumptions set out in the inflation forecast in the Inflation Report no.4 published in November 2013.

The annual rate of core inflation¹ amounted to 4.6 percent in October 2013, increasing by 0.2 percentage points from the previous month.

The information published by the NBS on foreign trade, domestic trade, industrial production and freight transport shows prerequisites for a further pronounced economic growth in the third quarter of 2013. Thus, exports and imports increased by 18.8 and 8.3 percent respectively, industrial production by 6.7 percent, while freight transport increased by 29.2 percent compared to the third quarter of 2012.

In terms of consumer demand, the annual growth rate of average real wage in the economy was 5.3 percent during the third quarter of 2013, by 4.6 percentage points higher in than the previous quarter of 2013. Cash remittances to individuals through official channels increased by 6.4 percent in the third quarter of 2013 compared to the same period last year.

¹ Core inflation is calculated by the NBS, excluding prices that are outside the influence of monetary policy promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices. Data established and published from January 2012 are calculated by the NBS according to the modification of Annex no.2 of "Methodology for the calculation of core inflation index", approved by joint order of the National Bank of Moldova and National Bureau of Statistics N8-07-01203/6 of January 19, 2012 (the modification refers to the inclusion of prices for remote communication services and medicines in regulated prices).



Lending and savings processes recorded divergent developments in October 2013. The volume of new loans granted during the reporting period increased by 35.4 percent, thus registering the highest growth in the last 31 months. The volume of new attracted deposits has decreased by 4.6 percent from the previous year. Total balances of loans and deposits at the end of October increased by 15.4 percent and 22.2 percent respectively, compared to last year.

The average interest rate on loans in national currency has increased by 0.15 percentage points, compared to September 2013, recording a level of 11.94 percent. The average interest rates on deposits attracted in national currency has decreased by 0.08 percentage points, up to the level of 6.54 in October 2013.

The monetary policy continues to be affected by the complexity of risk balance, with a prevalence of disinflationary risks. Disinflationary risks arise mainly from the depreciation of the currencies of major trading partners and lower exports due to possible sudden deterioration of foreign trade conditions. Gradual economic recovery in the European Union, international oil prices increase on the backdrop of increased tensions in the Middle East, recovery in global economic activity, and stimulating domestic demand can help mitigate the negative effects of disinflation.

The current conditions on the local foreign exchange market are appropriate. The National Bank made no interventions on the foreign exchange market over the past seven weeks.

In these circumstances, the Council of Administration of the NBM decided within its meeting of November 28, 2013 to maintain the incentive nature of the monetary policy and by unanimous vote to maintain the monetary policy interest rate at the level of 3.5 percent annually. It was also decided to maintain the required reserves ratio in MDL and in foreign currency at the current level of 14.0 percent of the base.

This decision aims to further ensure favorable monetary conditions to stimulate lending and the economic activity and those related to anchoring inflation expectations by maintaining inflation close to the target of 5.0 percent in the medium term, with a possible deviation of ± 1.5 percentage points.

In order to support the proper functioning of the interbank money market, the NBM will continue to manage firmly the liquidity excess through sterilization operations, according to the announced schedule.

The National Bank will continue to offer banks liquidity, according to the schedule announced for the years 2013-2015, through term REPO operations of 28 days, at a fixed rate equal to the base rate of the National Bank plus a margin of 0.25 points percentage.

NBM will further monitor and anticipate the domestic and international economic environment developments, including foreign trade conditions, so that by the flexibility of operational framework specific for the inflation targeting strategy to ensure price stability in the medium term.



The next meeting of the Council of Administration of the NBM on monetary policy will take place on December 26, 2013, according to the announced schedule.